

FROM EXPORT OBSESSION TO ENERGY TRANSITION: HOT TOPICS IN GERMAN ECONOMIC GEOGRAPHY

With a review of:

Jan-Otmar HESSE, *Exportweltmeister. Geschichte einer deutschen Obsession*, Suhrkamp Verlag, Berlin 2023, 447 pages, Elmar **KULKE** (ed.), *Wirtschaftsgeographie Deutschlands* (third edition), Springer, Berlin 2023, 400 pages, and Ingo **LIEFNER** and Sebastian **LOSACKER**, *Nachhaltige Wirtschaftsgeographie*, Brill Schöningh, Paderborn 2023, 259 pages

1. INTRODUCTION

German scientists have made a major contribution to the development of economic geography as an academic discipline. Traditionally, Germany has had wide regional and local disparities, which may explain why economists like Von Thünen, Weber, and Christaller were early to explore the spatial dimension of production and consumption. It was also a German textbook that three decades ago sparked my interest in economic geography: Ludwig Schätzl's *Wirtschaftsgeographie* (three volumes, on theory, empirics, and policy). The first edition of this trilogy appeared in 1978 and has been updated numerous times since.

Economic geography, which Schätzl defined as ‘the science of the spatial order and the spatial organisation of the economy’ (*translation GJH*) is a broad field of study. Not only does it focus on different spatial scales, but it also stresses historical aspects. After all, location-specific differences often have their basis in an area’s past. We see this breadth reflected in the books we review here: a treatise on Germany as an exporting country, a textbook on the regional and sectoral side of the German economy, and a plea for a more forward-looking and sustainable interpretation of economic geography. Obviously, in terms of theme and perspective, the books differ from each other. But together, I think, they give a good impression of what is unfolding in German economic geography at the moment.

2. WORLD EXPORT CHAMPION

Since 2009, China has been the world’s largest exporter of goods. But in some years prior, for example between 1986 and 1988 and between 2003 and 2008, Germany was the global export champion. Still, German products are in high demand worldwide – the label ‘Made in Germany’ stands for quality. How did Germany, a country poor in raw materials, manage to become such a successful exporting nation? This interesting question is posed by professor Jan-Otmar Hesse, economic historian at the University of Bayreuth, in his book *Exportweltmeister. Geschichte einer deutschen Obsession* (World Export Champion. History of a German Obsession). Apart from being interesting, the question is relevant because exports are vital for the German economy: over 40 percent of Germany’s GDP in 2022 was earned in the export sector, while a quarter of the country’s jobs depends on it.

In search of the background to this success story, Hesse starts with an overview on trade theory and presents detailed statistics on Germany’s role in the global economy since the 19th century. The following chapters are chronological and cover the time span between 1890 and the present. In that period, Hesse sees 1952 as an important year, because that was when Germany actually managed to export more than it imported – an ambition (Hesse calls it ‘an obsession’) that the country has had ever since Reichskanzler Leo Graf von Caprivi in 1890 proclaimed that without a strong export economy, the country ‘could not survive.’ In the rise of Germany as an export champion, two types of actors have played a crucial role, according to Hesse: companies on the one hand and politicians, on the other.

To begin with, Hesse points to Germany’s large industrial base with numerous manufacturing companies. In most of these firms, innovation, service and adaptability are key values. Take Bosch’s invention of magnet ignition at the end of the 19th century or the good value for money of the VW Beetle in the time of the *Wirtschaftswunder*. Traditionally, German companies are distinguishable for their

delivery reliability and high service levels. Over the decades, German firms have also moved parts of production abroad at the right time, which allowed them to reduce costs. Although Hesse goes into detail about the strength of the German manufacturing industry, I am surprised that he pays so little attention to the ‘hidden champions,’ i.e., enterprises that often have firm local roots and whose names are quite unknown, but that, thanks to their strong specialisation, are world market leaders (Simon, 2009). Think of Symrise, based in Holzminden (Lower Saxony), supplying fragrances and flavourings for over 30,000 products worldwide, which has an export share of 90%.

Next, extensive support by the government made a significant contribution to the rise of Germany as an export superpower. As early as 1926, for example, the Hermes-Bürgschaft was created, in which the state, together with private insurance companies, dealt with the risks of defaults in export business. After the Second World War, the state also stimulated exports with tax breaks and subsidies for foreign investment. In addition, Germany established a unique institutional system around export promotion: no country has such a well-developed infrastructure in this area, ranging from German trade fairs and information points to chambers of commerce and diplomatic representations abroad. And until 1973, when the Bretton Woods fixed exchange rate system collapsed, German politicians made every effort to keep the value of the D-Mark stable and avoid the currency’s revaluation.

Hesse’s book is well written and, thanks to the lack of jargon, understandable also for non-specialist readers. Simultaneously, it is extremely well documented and scientifically sound – it has a 75-page notes section and a 35-page bibliography! That the author has largely omitted the German export of services, is surprising, but not a major issue. However, even though the book is primarily a treatise on economic history, it is a pity that Hesse devotes so little attention to recent developments around Germany as an export nation, simply because there is so much to say about it. What do the COVID-19 crisis and subsequent calls for de-globalisation and de-risking mean for the country’s export orientation? And is the strong German automotive industry managing to remain globally competitive at a time when Chinese electric vehicles are flooding the market? Yet this criticism may also be taken as a compliment because like all good books, Hesse’s work offers food for thought and raises new questions.

3. THE MESO PERSPECTIVE

The editor of the attractively designed and richly illustrated textbook *Wirtschaftsgeographie Deutschlands* (Economy Geography of Germany) is Elmar Kulke, professor at the Humbolt University in Berlin. Due to recent developments in

the world economy the edited volume is experiencing its third printing and has been completely revised. As in 1998, when the first edition appeared, Kulke now found academic economic geographers from all over the country willing to write a chapter on a sub-aspect of German economic geography. They do so from the meso perspective, that is, a sectoral and/or regional view of the economy. After the preface, the book begins with four general chapters dealing successively with changes in the sectoral structure, regional differences, regional labour markets, and the nation's place in the global economy. This is followed by eleven chapters that provide an overview of the various industries in the German economy and their spatial dimensions.

The book discusses the branches underlying the national economy according to the classic division into primary, secondary, and tertiary activities (agriculture, manufacturing, and services). But unlike many other textbooks, this one deals with these activities in detail. For example, in addition to a chapter on agriculture, there are special chapters on mining/resource extraction and on energy supply. And when dealing with manufacturing, the automotive and high-tech industries, which are so important for Germany, are specifically discussed. The book also gives the service sector its due attention: besides retail, logistics, creative industries, and tourism, Germany's housing market as well as its banking and finance system receive separate attention. Altogether, the eleven branch overviews provide a detailed and up-to-date picture of the branches and their spatial embeddedness in the German economy.

The nice thing for the reader is that in each chapter theory is linked to practice. General insights about the sector in question are immediately illustrated by statistical material. Moreover, maps, figures and photographs give a vivid picture of the situation in Germany. There are also case studies that enliven the topics covered. For example, in the chapter on agriculture, you will learn more about the agricultural cluster in Oldenburger Münsterland, while the chapter on mining/resource extraction discusses the glass and porcelain industry. The Ruhr region and the German film industry are also given ample attention. The treatment of the regional innovation systems of Munich and Dresden is interesting as well. Clearly, despite the fall of the Berlin Wall, the situation between western and eastern Germany remains uneven, an observation recurring throughout the book.

In summary, the book is a rich source of insights on the meso level of the German economy. As editor, Kulke succeeded in challenging his colleagues to update their chapters. Thus, the text incorporates not only lessons from the COVID-19 period, but also the effects of the Ukraine war, energy crisis, and inflation. And, obviously, the context of climate adaptation and its implications for Germany's sectors and regions are addressed everywhere. At the same time, Kulke has given his colleagues considerable freedom. As a result, not all chapters have the same structure or equal length, which one would expect from a textbook like this one. It is also unfortunate that introductory and concluding chapters on 'the big picture'

are missing. As a result, readers may search in vain for an overall vision on the economic geography of Germany. Perhaps this gap can be filled in a subsequent edition, if only to increase the potential readership of this fascinating book.

4. SUSTAINABILITY ISSUES

In an episode of the German SpacEconomics-Podcast, Sebastian Losacker (Leibniz University Hannover) clearly explains the background of the book *Nachhaltige Wirtschaftsgeographie* (Sustainable Economic Geography) that he wrote with his colleague Ingo Liefner: ‘There is a global consensus that we as humanity want to achieve the Sustainable Development Goals. And we thought that economic geography could also make an important contribution’ (*translation GJH*) (Braunschweig, 2023). With this idea in mind, both scientists have written a concise textbook in which they discuss sustainability from an economic geographical point of view. In doing so, they focus on both, socio-economic sustainability (intragenerative equality) and ecological sustainability (intergenerative equality).

The book has a clear structure and is divided into five chapters. After an introduction on the background and the definition of sustainable economic geography, the authors devote chapters 2 and 3 to socio-economic sustainability. Here, the causes and consequences of regional disparities are addressed with an emphasis on the influence of technology and innovation. For me, many familiar theories and concepts popped up, from agglomeration factors and regional polarisation to cluster approaches and knowledge spillovers. As someone trained in economic geography, only the theories on regional resilience, commodity chains and upgrading were real eye-openers for me. In my view, readers who want to know more on sustainable economic geography can better browse chapters 4 and 5.

Chapter 4 mainly deals with views from geographical transition research, a subfield of transition studies. Liefner and Losacker discuss the transition to an ecologically sustainable economy and the obstacles involved, such as the lock-in of environmentally polluting technologies. But they also discuss the lead markets of environmental innovations, the multi-level perspective, as well as the rebound effects of resource-saving technologies. In chapter 5, I read with great interest the sections on inclusive and frugal innovation and the consideration of alternative economic structures. Even though the authors discuss all kinds of radical economic approaches, it is clear that they – like myself – have doubts about whether these post-growth perspectives will gain a foothold in economic geography.

A strength of the book is that theory, empiricism and policy are all given full attention. This is not entirely coincidental, as Liefner and Losacker see their book as an update of the classic *Wirtschaftsgeographie* (2001, original edition: 1978) of

Schätzl, their teacher and former colleague, who also worked at the Leibniz University Hannover. It is a pity, however, that there is little focus on real-life cases that would make the material come alive more. This is particularly unfortunate because I think that the book's heavy focus on ecological sustainability (and thus the energy transition) makes it useful not only for students but also for policymakers. At a time when the German *Energiewende* (energy transition) needs a new impetus, the book offers stakeholders a handy overview of the opportunities and challenges for a climate-friendly future.

5. FROM PAST SUCCESSES TO A PROMISING FUTURE?

Traditionally, Germany is the largest economy of the EU-28: nearly a quarter of European gross domestic product is generated in this country. Moreover, after China and the USA Germany is the world's largest exporting nation. The three books under review suggest that the background for this achievement must be sought in a historically grown constellation of entrepreneurship, dedicated politics and a long-term vision. Germany's obsession with exports, its diverse industry mix with a relatively strong focus on manufacturing, as well as pioneering activities by policymakers and firms on sustainability make the country a sought-after trading partner. Yet the strength of the German economy is not a given: past successes do not guarantee a promising future. Or, as Bardt *et al.* (2023) noted in December 2023: 'The development of the global economy and inflation determine the general economic conditions for the German economy and therefore also the risks' (*translation GJH*). Some commentators go a step further and see the situation in Germany, particularly due to high energy prices, as an 'economic disaster in slow-motion' (De Jong, 2023).

Do the discussed books provide insights which Germany can use to get the national economy back on its feet? After reading them and reflecting on their main messages, I think so. For a start, the 'Made in Germany' label, which stands for quality, reliability and service, remains an important asset, especially in a global economy that is stumbling from crisis to crisis. Furthermore, Germany should better link its well-embedded manufacturing sector to future-oriented technologies, if only to remain competitive vis-à-vis the Chinese economy. If the German automotive industry is not careful, it might gradually be overtaken by Chinese companies entering the European market with cheap electric cars. With its long-standing experience in energy transition, it seems to me Germany could play a key role on a global scale in the field of environmental innovation. Important for this, however, is that German politics offer the business community a long-term horizon and do not get too distracted by incidents. After all, to invest, firms need certainty;

they need to know where they stand. Perhaps politicians would do well to invite the authors of *Exportweltmeister*, *Wirtschaftsgeographie Deutschlands*, and *Nachhaltige Wirtschaftsgeographie* to give a talk in the Reichstag in Berlin. That will not only be a very interesting meeting, but also one that might restore confidence, hope and perspective to the German economy.

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